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Summary of the survey of economic and social developments in the region of the Economic and Social Commission for Western Asia, 2001-2002

Summary

Economic growth was relatively meagre in the ESCWA region in 2001. Estimates indicate that the combined real gross domestic product (GDP) of the ESCWA members,[1] excluding Iraq, registered a growth rate of 2.1 per cent in 2001. This rate represents a substantial decline compared with the 4.5 per cent registered in 2000. Moreover, given the region's annual population growth rate of 2.4 per cent, the real GDP per capita becomes a negative 0.3 per cent in 2001, after registering a positive 2.1 per cent growth rate in the preceding year.

The considerable deterioration in the overall economic conditions in the region in 2001 is attributed mainly to the sharp slowdown in world economic growth. That had a direct adverse effect on the demand for oil, the main contributor to GDP and export in the region. Furthermore, the attacks of 11 September 2001 in the United States of America intensified the world economic slowdown and therefore negatively affected the non-oil sectors in the region, particularly tourism and transport. The violence in the West Bank and Gaza Strip also adversely impacted on the region's foreign direct investment (FDI), on which the region is becoming more dependent for its economic growth and development objectives.

The region's oil sector performed poorly in 2001. Both production levels and prices fell. Following an increase of 62.5 per cent to $165.63 billion in 2000, the current estimates indicate that total oil revenue in the region has declined by $37 billion to $128.6 billion in 2001.

For most of the ESCWA members with more diversified economies,[2] labour market conditions remained generally unfavourable and, in most cases, deteriorated for those seeking work in 2001.

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Inflation rates remained low in the region, because both Gulf Cooperation Council (GCC) States[3] and the ESCWA member countries with more diversified economies were able to keep inflation under control. Estimates indicate that in 2001, inflation rates in most ESCWA member countries were under 3 per cent.

Fiscal positions deteriorated in most of the ESCWA region in 2001. The sharp decline in oil revenue, which was far greater than previously projected, had an extremely negative effect on budgetary positions in the region. The budgets of ESCWA member countries with more diversified economies continued to be deflationary, with budget expenditures increasing at a rate lower than the rate of inflation, thus reducing expenditures in real terms. These countries also resorted increasingly to instruments of domestic resource mobilization, such as improving tax collection methods, introducing new taxes or raising the rates of existing ones.

Most stock markets in ESCWA member countries were affected by the events of 11 September 2001. Some of these markets lost most of the gains they had been recording since the beginning of the year. For example, the Saudi Arabian stock market, which had been up by around 14 per cent during the first eight months of 2001, ended the year with an estimated 7 per cent loss, i.e. a loss of over 12 per cent in the three months following the events. The Kuwaiti stock market, which had been up by around 35 per cent through the end of August, ended the year with a loss of around 10 per cent. The Cairo stock exchange, which had been down by around 15 per cent at the end of August, as compared with its level at the beginning of the year, ended the year with a loss of over 40 per cent. Only Jordan and Qatar recovered from the losses they had suffered in the aftermath of the events. Stock exchanges in the two countries ended the year significantly higher than where they had been before the events.

The performance of the region's external sector deteriorated considerably in 2001, as a result of developments in the international oil market. Oil prices fell by 16.2 per cent and demand for the region's oil exports fell significantly, thereby drastically reducing the combined balance of trade surpluses of the GCC States and widening the balance of trade deficits of most of the countries with more diversified economies. Furthermore, the attacks carried out on 11 September 2001 against the United States dealt an additional blow to the external sector accounts of the region, particularly those of the countries with more diversified economies. Tourism revenue was sharply lowered and current accounts negatively affected. While such accounts in GCC States deteriorated in 2001, mainly because of significantly lower balance of trade surpluses, the current account positions of the other group of countries in the region deteriorated because of increased balance of trade deficits, decreased revenue from tourism and lower remittances from expatriates.

The size of the population in the ESCWA region has grown fairly rapidly and increased from 94 million in 1980 to 166 million in 2000. A large youth population characterizes the region. It is estimated that 19 per cent of the total population of the region are young people of 15 to 24 years old. Unemployment among the youth in many member countries, especially in the more diversified economies, is a critical issue. Most of the unemployed in the region are young first-time job seekers, reflecting a swelling of the youth labour supply, as the Arab baby-boomer generation enters the labour market.

Health conditions in the ESCWA region have continued to improve over the past several years, owing primarily to successful public health campaigns. In addition, nutrition has improved in all ESCWA member countries except Iraq and Yemen, where improvement remains limited. At the regional level, life expectancy at birth, as the primary health indicator, has reached an average of 70 years (71 for women and 68 for men) for 2000-2005.

However, while the level of education and enrolment rates in most of the member countries have improved significantly since the 1970s, the rates of illiteracy are still alarmingly high, particularly in the less developed countries of the region and conflict-stricken ones. This is evident by a relatively high adult illiteracy rate, especially for

women, in several countries of the region. Moreover, poverty is still a serious problem in several countries in the ESCWA region. Meanwhile, public spending on social services (as a percentage of GDP) in ESCWA member countries has not increased in the past 10 years. In some countries it has even declined. Political instability in the Middle East continues to dictate that large amounts of resources must be allocated to defence expenditures, leaving an inadequate balance for social services, education and poverty reduction.

In spite of the considerable progress made in the status of Arab women in the region over the decades, the gender gap in socio-economic status persists in many countries of the region in terms of education opportunities, employment, land ownership and inheritance.

The outlook for economic and social developments in 2002 is not brighter than that for 2001. The real GDP of the region, excluding Iraq, is projected to grow by around 2 per cent in 2002, similar to the preceding year, and again below the population annual growth rate of 2.4 per cent. However, this growth rate would be attained by lower real GDP growth in the GCC States and higher growth in the countries with more diversified economies as compared with 2001.

The oil sector is expected to perform relatively poorly in 2002 compared with 2001 and 2000.

Demand for labour in the region is expected to be low because economic growth is not sufficiently high to absorb the annual increase in the supply of workers.

It is expected that inflation rates in most member countries will remain under control in 2002 at around 2 to 3 per cent. However, inflation is projected to accelerate in some of the countries with more diversified economies, particularly Egypt and Lebanon. A higher inflation rate in Egypt in 2002 would be caused by the devaluation of the national currency in 2001 and increased government expenditure in 2002 in a bid to stimulate economic growth and create employment opportunities. Higher inflation rates in Lebanon would largely be caused by the introduction of the value added tax (VAT).

It is recommended that the region accelerate the process of economic diversification, particularly in the GCC countries, moving away from oil towards greater reliance on gas, petrochemicals, aluminium, and other light industries, in addition to the services sector. Furthermore, it is important to expedite structural economic reform and intensify efforts to enhance economic cooperation and integration in the region. Moreover, special attention should be given to reducing unemployment and poverty, particularly among women.

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[1] The ESCWA members are Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Oman, Palestine, Qatar, Saudi Arabia, the Syrian Arab Republic, the United Arab Emirates and Yemen.

[2] The region's more diversified economies are Egypt, Iraq, Jordan, Lebanon, Syrian Arab Republic, West Bank and Gaza, and Yemen.

[3] The Gulf Cooperation Council members are: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates.

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I. Aggregate economic performance

1. Economic growth was relatively meagre in the ESCWA region in 2001. Estimates indicate that the combined real gross domestic product (GDP) of ESCWA member countries, excluding Iraq, registered a growth rate of 2.1 per cent in 2001 (see table 1). This rate represents a substantial decline compared with the 4.5 per cent registered in 2000. Moreover, given the region's annual population growth rate of 2.4 per cent, the real GDP per capita becomes a negative 0.3 per cent in 2001, after registering a positive 2.1 per cent growth rate in the preceding year.

2. The considerable deterioration in the overall economic conditions in the region in 2001 is attributed mainly to the sharp slowdown in world economic growth. That had a direct adverse effect on the demand for oil, the main contributor to GDP and export in the region. Furthermore, the attacks of 11 September 2001 in the United States of America intensified world economic slowdown and therefore negatively affected the non-oil sectors in the region, particularly tourism and transport. The violence in the West Bank and Gaza Strip also adversely impacted on the region's foreign direct investment (FDI), on which the region is becoming more dependent for its economic growth and development objectives.

3. In 2001, there was little difference between real GDP growth rates in the Gulf Cooperation Council (GCC) group and in the group of ESCWA member countries with more diversified economies. Estimates indicate that in 2001, the combined real GDP growth rate for the GCC group was 2 per cent, while the group of countries with more diversified economies achieved a 2.1 per cent growth rate. However, there were significant variations in real GDP growth rates in different member countries. Oman and Qatar are the only GCC States, estimated to have achieved a higher growth rate in 2001 than in 2000, while the Syrian Arab Republic and Lebanon are the only member countries with more diversified economies that achieved higher growth rates in 2001 than in the preceding year. All other member countries in the region witnessed lower economic growth in 2001 than in 2000.

4. In 2001, the factor that was most decisive in decelerating economic growth in the majority of ESCWA member countries was the weakening of the international oil market, which led to significantly lower oil prices and reduced revenue. The situation was the reverse of that of 2000, because both oil prices and production declined, bringing a sharp decline in oil revenue. The direct and indirect impact of the oil sector's poor performance was particularly evident in the GCC States, where oil has, for the past several years, accounted for more than 35 per cent of GDP, 75 per cent of government revenue and 85 per cent of exports. For the GCC countries as a group, real GDP growth is estimated to have declined from 5.1 per cent in 2000 to 2 per cent in 2001.

5. Nevertheless, non-oil sectors performed well in the GCC States and counteracted the negative growth registered by the oil sector. As a result, overall GDP growth in all these member States was positive in 2001. The GCC States had an excellent year in 2000, particularly in terms of oil revenue. Government budgets for 2001 were therefore generally expansionary, thereby enhancing the growth of the non-oil sectors. Furthermore, economic reform and liberalization policies pursued by the Governments of those States promoted economic growth. The economic diversification pursued in recent years also had a positive effect on overall economic conditions in 2001.

6. Estimates indicate that, in 2001, Qatar and Oman registered the highest and the United Arab Emirates the lowest economic growth rates of the GCC States.

7. Estimates for the ESCWA member countries with more diversified economies, excluding Iraq, indicate that their combined real GDP grew by 2.1 per cent in 2001, a significantly lower rate than the 3.5 per cent and 3.8 per cent registered in 2000 and 1999 respectively. Real GDP growth rate estimates for 2001 vary widely among the countries in this group, ranging from 4.2 per cent in Jordan to 1.4 per cent in Lebanon. Estimates suggest that real GDP declined by a devastating 30 per cent in the West Bank and Gaza Strip.

8. Developments in the international oil market have considerable economic implications for the region. Of the 13 ESCWA members, only three, namely, Jordan, Lebanon and Palestine, are not oil exporters. The performance of the oil sector greatly affects government revenue and expenditure, budgetary positions, exports, economic growth, employment opportunities, intraregional trade, tourism, banking and expatriate remittances.

Table 1
Real GDP and growth rates in the ESCWA region at constant 1998 prices, 1999-2002
(Millions of United States dollars and percentages)

Country/area	*1998*	*1999*	*2000*	*2001[a]*	*2002[b]*	*Percentage change*			
						1999	*2000*	*2001[a]*	*2002[b]*
Bahrain	6 184.0	6 431.4	6 765.8	7 050.0	7 275.6	4.00	5.20	4.20	3.20
Kuwait	25 401.0	25 248.6	26 157.5[a]	26 602.2	26 442.6	(0.60)	3.60[a]	1.70	(0.60)
Oman	14 086.0	14 057.8	14 774.8	15 557.8	16 071.2	(0.20)	5.10	5.30	3.30
Qatar	10 255.0	10 582.1	11 195.9	11 912.4	12 567.6	3.19	5.80[a]	6.40	5.50
Saudi Arabia	128 492.0	127 464.1	133 199.9	135 464.3	136 141.7	(0.80)	4.50	1.70	0.50
United Arab Emirates	48 500.0	50 410.9	54 118.1	54 619.4	55 056.3	3.94	7.35	0.93	0.80
GCC countries	**232 918.0**	**234 194.9**	**246 210.1**	**251 206.2**	**253 555.0**	**0.55**	**5.13**	**2.03**	**0.94**
Egypt[c]	82 710.0	86 928.2	91 187.7	94 379.3	98 154.4	5.10	4.90	3.50	4.00
Jordan	7 959.0	8 181.9	8 574.6	8 934.7	9 336.8	2.80	4.80	4.20	4.50
Lebanon	16 168.0	16 329.7	16 329.7	16 558.3	16 972.3	1.00	0.00	1.40	2.50
Syrian Arab Republic	16 043.0	15 754.2	15 848.8	16 292.5	16 862.8	(1.80)	0.60	2.80	3.50
West Bank and Gaza Strip	4 170.0	4 625.8	4 399.6	3 079.7	3 387.7	10.93	(4.89)	(30.00)	10.00
Yemen	6 251.0	6 475.4	6 807.0	6 926.8	7 099.9	3.59	5.12	1.76	2.50
More diversified economies[d]	**133 301.0**	**138 295.2**	**143 147.2**	**146 171.2**	**151 813.8**	**3.75**	**3.51**	**2.11**	**3.86**
ESCWA region[d]	**366 219.0**	**372 490.0**	**389 357.3**	**397 377.4**	**405 368.8**	**1.71**	**4.53**	**2.06**	**2.01**

Source: ESCWA, based on national and international sources.
Note: ( ) indicates negative growth.
[a] ESCWA estimates.
[b] ESCWA projections.
[c] Fiscal year July-June.
[d] Excluding Iraq, because of the unavailability of reliable data.

9. The region's oil sector performed poorly in 2001, mainly because of reduced demand for oil on international markets, caused by lower world economic growth. After an exceptionally high growth rate of 4.7 per cent in 2000, world economic output is provisionally estimated by the International Monetary Fund (IMF) to have grown by almost half that rate, namely, 2.4 per cent in 2001. Other estimates for world economic growth in 2001 put it even lower, at slightly above 1 per cent. Reduced international demand for oil depressed oil prices, production and revenue in the ESCWA region. Estimates indicate that in 2001, world oil prices declined by 16.2 per cent while the region's oil production fell by 3.3 per cent. As a result, oil revenue fell by some 22.4 per cent from the preceding year.

10. The annual average price of the crude oil basket of the Organization of Petroleum Exporting Countries (OPEC) was $23.1/barrel (b) in 2001, which was $4.5/b lower than the average price of $27.6/b in 2000. However, the average OPEC oil price had increased from $12.28/b in 1998 to $17.47/b in 1999 and $27.6/b in 2000 before its decline in 2001. In 2001, the OPEC oil price was still at its second highest annual average level since 1986.

11. Oil production in the ESCWA region is provisionally estimated to have averaged 18 million barrels per day (b/d) in 2001, a decline of 608,500 b/d from its 2000 level. Nevertheless, it still represented more than 26 per cent of total world oil output in 2001. Total GCC countries' oil production is provisionally estimated at 14 Mb/d, representing 77.5 per cent of the regional total. Among the GCC countries, Saudi Arabia and the United Arab Emirates reduced their oil production by 1.6 per cent and 2.2 per cent, respectively, in 2001, while Kuwait and Qatar are estimated to have increased their respective oil production by 2.9 per cent and 5.1 per cent. Among the group with more diversified economies, Iraq produced 17.7 per cent less oil in 2001 than in the preceding year, while Yemen increased its oil production by an estimated 3.1 per cent.

12. Following the increase of 62.5 per cent to $165.63 billion in 2000, current estimates indicate that total oil revenue in the region declined by $37 billion to $128.6 billion in 2001. Despite a decline of 22.4 per cent, estimates indicate that oil revenue in the region in 2001 amounted to the second highest annual total since 1982. Combined oil revenue in the GCC States is estimated to be $106.3 billion, accounting for 82.7 per cent of the regional total in 2001. While Saudi Arabia's oil revenue, at $59.4 billion, is estimated to have declined by 20.4 per cent in 2001, it remained the largest in the region by far, followed by the United Arab Emirates and Kuwait with $18 billion and $13.2 billion, respectively.

13. For most of the ESCWA member countries with more diversified economies, labour market conditions remained generally unfavourable and, in most cases, deteriorated for those seeking work in 2001. Economic growth was not sufficiently high to provide work opportunities for the unemployed and also accommodate the rising number of new entrants to the labour market. The chronic unemployment problem faced by these ESCWA members remains a challenge, given the existing large pool of job seekers. While several countries made progress in combating their respective unemployment problems during the first half of 2001, labour market conditions were dealt a serious blow by the events of 11 September and their subsequent impact on various sectors, in particular, tourism. The tourism sector is labour-intensive and provides significant employment opportunities for both skilled and semi-skilled workers in several ESCWA member countries, most notably Egypt, Jordan, Lebanon and the Syrian Arab Republic. Hence, developments in the tourism sector have significant direct and indirect effects on the labour market.

14. Unemployment rates published by official sources, in most of the member countries with more diversified economies, while not generally low, are usually about one third lower than estimates made by independent sources. Nevertheless, the respective Governments are aware of the problem and its potentially dangerous economic, social and political effects and have adopted specific measures in order to address it. The rate of women's participation in the labour force continued to rise modestly but remains relatively low in the region. Figures indicating the share of women in the labour force in Egypt, Jordan, Lebanon, the Syrian Arab Republic and Yemen range between 21 and 30 per cent. In the remaining ESCWA member countries, the share is even lower, ranging between 11 and 20 per cent. Developments in the labour markets in 2001 varied, both between the members with more diversified economies and the GCC States and between the members of each group.

15. Labour market developments in the West Bank and Gaza Strip were catastrophic in 2001. After declining steadily from over 20 per cent in 1996 and 1997 to 14.4 per cent in 1998 and 11.8 per cent in 1999, the unemployment rate in the West Bank and Gaza increased to 14.1 per cent in 2000 and shot up to 35.3 per cent in the second quarter of 2001, according to the Palestinian Central Bureau of Statistics. The violence in the West Bank and Gaza Strip, the sharp contraction in real GDP and the closure of those areas by Israeli authorities since late September 2000 have combined to yield this excessively high and dangerous unemployment rate, which has sharply increased the proportion of the population living in poverty and brought it to alarmingly high levels.

16. In the GCC States, the labour market is of a different nature: expatriate workers account for a major part of the total labour force, ranging from about 33 per cent in Bahrain to almost 90 per cent in the United Arab Emirates. Expatriate workers hold a variety of jobs, ranging from those that are relatively low-paid and require minimal skills and education, to professions that require the most technically advanced knowledge and experience. In most cases, GCC nationals refuse to accept low-paid manual jobs that require minimal skills. However, they often lack the

technical skills required for highly paid positions. Over the years, however, increasing numbers of GCC nationals have acquired the education and skills needed for more highly paid jobs. The population growth rates for nationals of the GCC States are among the highest in the world, averaging more than 3.5 per cent annually. With an average of 70 per cent of the population of the GCC States under 30 years of age, the population and the national labour supply will continue to grow at relatively high rates for many years. The Governments of the GCC States are aware of the need to create employment opportunities for their nationals. They have mostly adopted a two-fold approach to the creation of additional employment opportunities for their nationals: a pro-economic growth policy and the substitution of nationals for expatriate workers whenever feasible.

17. Both the GCC States and the ESCWA member countries with more diversified economies were able to keep inflation rates low. Estimates indicate that most ESCWA member countries had inflation rates lower than 3 per cent in 2001.

18. Estimates for 2001 indicate that inflation rates in the GCC States ranged from a negative 1.0 per cent in Oman to a positive 2.5 per cent in Qatar. With the exception of the Kuwaiti dinar, which is tied to a basket of currencies dominated by the United States dollar, the currencies of the GCC States are tied to the dollar and, in 2001, appreciated in tandem with the dollar against most other currencies, including the euro and the Japanese yen. That reduced the costs of imports from Europe, Japan and other trading partners, in terms of local currency and helped to maintain inflation rates at relatively low levels. Nevertheless, and as a direct consequence of considerably higher government expenditure and private sector consumption, inflation rates are provisionally estimated to have risen slightly in each of the six GCC States in 2001.

19. Owing mainly to low demand associated with meagre economic growth, inflationary pressures were subdued in 2001 in most of the countries with more diversified economies. Inflation was under control except in Yemen, which is estimated to have witnessed an inflation rate of 11.9 per cent. The inflation rate ranged between 3 per cent in Egypt and 0.2 per cent in Lebanon, the lowest among all the countries of the region.

II. Monetary and fiscal policy developments

20. Monetary policies were fairly expansionary in 2001 in most countries of the region. Many countries followed the United States' monetary policy of lowering interest rates. This was mainly due to the established policy of officially pegging their respective national currencies to the United States dollar, and partly because of the need to stimulate economic growth. This was the case in the GCC countries, Jordan and Egypt. However, although Lebanon's national currency is also officially pegged to the United States dollar, interest rates on the Lebanese pound did not reflect declines in interest rates on the United States dollar. This was mainly due to the Government's policy of supporting the Lebanese currency to maintain its fixed exchange rate with the United States dollar without further depleting the country's international reserves.

21. The GCC countries, Jordan and Lebanon kept their respective currency at the same exchange rate versus the United States dollar, while Egypt opted to have the exchange rate for its currency better reflect market conditions. The Egyptian pound declined from LE 3.69 = US$1 at the end of December 2000 to LE 4.25 = US$1 at the end of November 2001 and to LE 4.5 = US$1 with a 3 per cent plus or minus range in early 2002.

22. In 2001, fiscal positions deteriorated in most countries of the ESCWA region. The sharp decrease in oil revenues, which was far greater than previously projected, had an extremely negative effect on budgetary positions in the region. The large increases in government expenditure in the GCC States were generally undertaken as planned in their respective budgets. Budgetary positions were therefore significantly less favourable than in the preceding year, when actual revenues were considerably higher than projected in all government budgets. For example, Saudi Arabia and Bahrain, both of which had budget surpluses in 2000, registered deficits in 2001, provisionally estimated at 1.6 per cent and 4.1 per cent of their respective GDP. Meanwhile, the United Arab Emirates, which had a small budget deficit in 2000, had a much wider deficit in 2001.

23. The budgets of ESCWA countries with more diversified economies continued to be deflationary, with budget expenditures increasing at a rate lower

than the rate of inflation, thus reducing expenditures in real terms. These countries also resorted increasingly to instruments of domestic resource mobilization, such as improving tax collection methods, introducing new taxes or raising the rates of existing ones.

24. For most of this group of ESCWA members, the budgetary positions in 2001 were significantly worse than in the preceding year. Lebanon had the highest budget deficit to GDP ratio of any of the ESCWA member countries with more diversified economies and of the region as a whole. Nevertheless, estimates indicate that budget deficit to GDP declined slightly to 14 per cent in 2001. Meanwhile in Egypt, the budget deficit to GDP ratio that had remained at about 1 per cent since the start of the 1990s before rising to 3.7 per cent in fiscal year 1999/2000, is estimated to have increased further to 4.3 per cent in 2000/2001.

25. Jordan succeeded in reducing its budget deficit to GDP ratio from 3.9 per cent in 1999 to 3.4 per cent in 2000. However, if foreign grants are not considered part of revenue, these figures become 7.9 per cent and 7.4 per cent, respectively. By the end of September 2001, the budget deficit had increased by about 15 per cent to $428.5 million from $371.3 million during the same period in the preceding year. Estimates indicate that, in 2001, the budget deficit to GDP ratio in Jordan increased to 3.8 per cent.

26. In the West Bank and Gaza, the budget deficit for 2001, including aid, is estimated to be around $400 million. In 2001, estimates indicate that a sharp increase in the budget deficit coupled with a steadily decreasing GDP yielded a budget deficit to GDP ratio in the West Bank and Gaza of 12.5 per cent.

27. Most stock markets in ESCWA member countries were affected by the events of 11 September 2001. Some of these markets lost most of the gains they had been recording since the beginning of the year. For example, the Saudi Arabian stock market, which had been up by around 14 per cent during the first eight months of 2001, ended the year with an estimated 7 per cent loss, i.e. a loss of over 12 per cent in the three months following the events. The Kuwaiti stock market, which had been up by around 35 per cent through the end of August, ended the year with a loss of around 10 per cent. The Cairo stock exchange, which had been down by around 15 per cent at the end of August as compared with its level at the beginning of the year, ended the year with a loss of over 40 per cent. Only Jordan and Qatar recovered from the losses they had suffered in the aftermath of the events. Stock exchanges in the two countries ended the year significantly higher than where they had been before the events.

III. Trade and foreign direct investment

28. The overall trade performance in 2001 remained tied to fluctuating oil export revenues. While export growth rates declined for all ESCWA member States in 2001 relative to previous year gains, nearly all the countries in the region enjoyed a stronger export position in 2001 than they did in years prior to 2000. Qatar experienced the highest export growth performance in the region from 2000 to 2001 at 18 per cent, mainly due to the oil and gas sectors, although export growth for GCC countries on average declined by 2.5 per cent. However, GCC member States still registered on average a 50 per cent or more improvement in their export performance in 2001 when compared with 1999 and 1998 levels. This trend was most evident in Oman, Saudi Arabia and the United Arab Emirates.

29. For the more diversified economies of the ESCWA region, the trade record is mixed. For oil exporting States, such as Egypt, the Syrian Arab Republic and Yemen, strong oil revenues and efforts to diversify exports helped to steady trade performance, with Egypt leading the group with 13 per cent export growth between 2000 and 2001. Egyptian export performance is supported by an aggressive three-year plan to promote exports of goods and services. Export growth rates for the Syrian Arab Republic and Yemen declined from 2000 to 2001 by 0.1 per cent and 8 per cent respectively. Non-oil based economies had a more difficult time maintaining export performance, with Lebanon registering an 18 per cent decline in export growth between 2000 and 2001. Jordanian exports recorded a 0.2 per cent decline in export growth between 2000 and 2001 as loss in demand from regional markets were partially offset by increased exports to the United States.

30. The geographic distribution of exports in 2000 and 2001 generally remained similar to that of previous years, particularly among GCC countries. However, there was a perceptible change in export destination

markets favoured by the more diversified economies of the region, which may indicate that recently forged trade agreements are taking effect. Japan and Asia continued to receive most GCC country exports (mostly oil), representing a combined 57 per cent of the subregion's exports. The United States and Europe each received on average 11 per cent of GCC country exports in 2000, with only Kuwait and Saudi Arabia maintaining important export links to the two markets. Oman witnessed a 10 per cent shift in its exports towards developing countries in Asia, partially reflected in a decline in exports to other Middle Eastern countries. As for other oil-exporting ESCWA member States, Yemen continued to depend upon Asian oil demand to fuel exports, although its exports to the United States increased by 5 per cent between 1999 and 2000. This increase is noticeable for Yemen since mineral fuels account for 97 per cent of exports. For Iraq, over 84 per cent of its oil exports went to industrialized countries in 2000, although the balance shifted in 2001 and 2002 in favour of ESCWA member States that have forged special trade arrangements with Iraq.

31. For the more diversified economies of the region, the direction of trade is more varied. Trade agreements, product quality concerns and market access issues have emerged as important factors influencing the geographic orientation of exports, particularly that of non-oil-based commodities.

32. The decline in oil revenue during 2001 had the most pronounced effect on intraregional exports, particularly for the more diversified economies of the region that depend upon regional consumer demand to fuel exports. Intraregional export growth fell by 12.8 per cent when comparing the first and second quarters of 2000 and 2001. Furthermore, the share of intraregional exports as part of the region's total world exports fell by more than 1 per cent during that same period. Despite these declines, the structure of intraregional exports remained mostly constant, with exports from GCC countries continuing to contribute over 80 per cent of intraregional exports during 2000 and 2001. Intraregional exports from Saudi Arabia and the United Arab Emirates continued to comprise the largest share.

33. Non-GCC member States were among the hardest hit by the decline in intraregional exports. Jordan, Lebanon and Yemen registered 27 per cent, 15 per cent and 44 per cent declines in intraregional export growth respectively in 2001. However, in most cases, these losses reflected a decline in intraregional trade, not world trade, as total world export levels slightly improved. This may signal that ESCWA member States are looking more towards global markets than regional markets to expand their export base despite efforts to establish an Arab free trade area.

34. On the import side of the trade balance, most GCC countries continued to demand more imports, which was made possible by the previous year's high oil revenues. However, while GCC countries witnessed over 13 per cent growth in imports between 2000 and 2001, imports by the more diversified economies remained tempered and fell on average by 5 per cent. Qatar recorded the highest annual increase in imports in 2001 (23 per cent), which followed several years of low or negative import growth. Jordan registered the greatest decline in import demand with import levels nearing that in 1998. Imports into the West Bank and Gaza fell dramatically in 2001 and in the first few months of 2002 following numerous closures and the inability of many importers to secure import certificates from the necessary authorities. This was particularly detrimental for Jordanian exporters who traditionally maintain strong ties to the Palestinian economy. By contrast, Syrian imports increased by about 5 per cent, reflecting higher economic growth than in the previous year. Lebanese imports increased from nearly zero growth in 2000 to almost 2 per cent the following year in response to sweeping reductions in import duties that took effect in April 2001. To offset the decline in customs revenues, the Government of Lebanon began to levy a value-added tax (VAT) in February 2002 on goods and services imported or domestically produced at a single rate of 10 per cent.

35. While there is no doubt that the oil economy continues to dominate regional trade performance and investments, ESCWA member States are also forging into new areas in an effort to diversify their economic base. Several countries are now active in the information technology and electronics sectors, with the plastics, metal fabrication, pharmaceuticals and chemical industries gaining ground and even surpassing traditional exports centred around the textile, garment and agro-food industries. Re-exports also represent an important part of trade performance and have various implications for the implementation of trade agreements, particularly for GCC countries as customs duties are increasingly reduced. These trends

represent gradual, but important structural shifts in the economic base of the region towards greater economic diversification.

36. ESCWA member support for trade liberalization and engagement in globalization trends continued throughout 2001 along several fronts. Saudi Arabian accession to the World Trade Organization (WTO) is progressing, though unlikely to occur before 2004. Lebanon deposited its formal trade memorandum to the WTO secretariat in May 2001. The Syrian Arab Republic officially applied for membership in WTO in 2001. Currently, all ESCWA member countries are members or are seeking membership in the WTO, except for Iraq.

37. On the subregional level, the Gulf Cooperation Council announced in December 2001 that it had agreed to form a customs union that would create a single market and single currency by January 2010. The harmonization of economic standards among GCC States is expected by 2005. The formation of the union is expected to facilitate the negotiation of a trade agreement between GCC States and the European Union. Several association agreements between ESCWA member States and the European Union are also coming closer to realization. The Government of Egypt signed an agreement in June 2001 and Lebanon concluded one in early 2002. Negotiations between the Syrian Arab Republic and the European Union are advancing and are expected to conclude before the end of the year. Several other regional and bilateral trade agreements forged over the past two years and have also come into effect. For example, the free trade area agreement signed by Jordan and the United States in October 2000 became effective in December 2001. In 2001, Egypt, Jordan and Tunisia agreed to abolish customs duties by 2002 to encourage the development of a Greater Arab Free Trade Area (GAFTA). Several bilateral agreements between ESCWA member States have also been formalized to complement regional trade integration efforts. However, more negotiations are necessary to resolve inconsistencies between GAFTA and WTO rules, reduce non-tariff barriers between member States and establish clear dispute resolution procedures.

38. Inflows of foreign direct investment (FDI) in the ESCWA region are still very modest compared with other regions in the world. The region attracted only US$ 3.6 billion in 2000, which corresponds to about 0.3 per cent of the foreign direct investment worldwide, and to about 2 per cent of FDI inflows to developing countries. The latter have attracted almost 20 per cent of world FDI. In addition to the low level of FDI, inflows are concentrated in a few countries of the region, namely Egypt and Saudi Arabia. These two countries alone absorbed around 62 per cent of total inflows to the region.[1]

39. Although data on FDI inflows to the region in 2001 are not yet available, it can be said that the picture is not encouraging. Inflows have been severely affected by the new political environment in the region as a result of the 11 September events in the United States and the 18 months of Palestinian uprising.

40. The modest level of FDI and the disparity in its distribution among the ESCWA member States is caused by several other factors, including a deficient regulatory framework, an inadequate business environment, weak policies, poor institutional frameworks, unsatisfactory market access and unfavourable comparative costs.

41. However, member countries in the region are keen to attract FDI. This is indicated in the economic reforms and the liberalization of FDI policies. Several member countries have taken steps to improve the business and investment environment, including the relaxation of measures that restrict FDI, the provision of incentives to foreign investment, the simplification of administrative procedures to establish and operate foreign companies, and the legal framework to protect private investment.

IV. Social developments

42. For more than two decades, the ESCWA region experienced the highest rate of population growth of any region in the world. The region's average annual population growth rate from 1980 to 2000 was estimated at 2.9 per cent. This rate was higher than the 2.8 per cent for the least developed countries, and the 1.6 per cent for the whole of Asia for the same period. The size of the population in the ESCWA region has grown fairly rapidly and has increased from 94 million in 1980 to 166 million in 2000.

43. A large youth population characterizes the ESCWA region. It is estimated that 19 per cent of the total population of the region are young people of 15 to 24 years old. Unemployment among the youth in many member countries, especially in the more diversified

economies, is a critical issue. Most of the unemployed in the region are young first-time job seekers, reflecting a swelling of the youth labour supply, as the Arab baby-boomer generation and more women enter the labour market.

44. Given the rapid increase in the absolute number of the unemployed in the ESCWA region, new entrants to the labour force (youth and new graduates) who do not find suitable jobs represent a greater threat to social stability than the long-term unemployed who would have joined the informal sector. This is creating a negative social effect on the current stagnant labour trends. Job creation in the private and manufacturing sectors has not been so quick and the market has not been able to absorb the new entrants and the redundant employment in the public sector.

45. Fertility is declining throughout the region, and particularly in countries such as Egypt and Lebanon. Between 1980 and 2000, the total fertility rate (TFR) in the region as a whole declined from 6.05 to 4.43 live births per woman. The decline in fertility combined with increased life expectancy will lead to ageing of the population in the near future. In 2000, 5.6 per cent of the population was 60 years and above, this is estimated to rise to 8.9 per cent in 2025.

46. Total population is projected to increase to 234 million in 2015. Such developments add rapidly to the labour supply in the region and hence necessitate greater efforts to create adequate increases in employment opportunities, so as to avoid a significant rise in unemployment rates, particularly in the more diversified economies of the region.

47. Health conditions in the ESCWA region have continued to improve over the past several years, owing primarily to successful public health campaigns. One such health campaign is early childhood (one year old) immunization against four of the officially designated basic diseases (tuberculosis, tetanus, poliomyelitis and measles). The standard of health in most of the ESCWA member countries (except Iraq and Yemen) is close to that of developed countries. At the regional level, life expectancy at birth, as the primary health indicator, has reached an average of 70 years (71 for women and 68 for men in 2000-2005). This is above the world average of 65 years (67 for women and 63 for men in 1995-2000) and close to the 71-year average of Eastern Asia (73 for women and 67 for men in 1995-2000). At the country level, life expectancy in Yemen and Iraq (both 59 years in 2000-2005) are lower than the average of the combined total of less developed countries all together (63 years in 1995-2000).

48. During the 1990s, the provision of health service improved in the region, as depicted by the numbers of doctors and nurses, which have risen to new heights, except in Iraq (51 doctors per 100,000) as a result of the economic sanctions, and in Yemen (23 doctors per 100,000). In the remaining ESCWA member countries, the number of doctors per 100,000 people was higher than or close to the world average (122 doctors per 100,000).

49. Similarly, nutrition has improved in most of the ESCWA member States, except Iraq and Yemen, where improvement remains limited. Notwithstanding the urban-rural divide at the country level, the region's overall standard of nutrition is close to that of developed countries, as measured in caloric intake per capita.

50. Another indicator of social development in the region is the level of education and the rates of illiteracy, especially for women and girls. While the level of education and enrolment rates in most ESCWA member countries have improved since the 1970s, the rates of illiteracy are still alarmingly high, particularly in the less developed countries of the region and conflict-stricken ones. This is evidenced by relatively high adult illiteracy rates, particularly for women, in several countries of the region.

51. The dropout rates (particularly among girls) at the first and second levels of education in some ESCWA member States remain high, compared with countries of similar GDP per capita in other regions. For instance, in Yemen, girls' net primary school attendance was only 40 per cent, compared with 75 per cent for boys in the 1990s. The ESCWA region is still far behind the developed countries as far as secondary education is concerned. In a number of ESCWA member countries, net secondary enrolment ratios are even below the world average of 68 per cent.

52. In contrast, third level education has improved in the last few years, compared with other developing countries. Most of the ESCWA member countries have lower enrolment rates, however, compared with developed countries. Many countries in the region have built a network of schools and universities and offer relatively low cost education to all citizens. It is

interesting to point out that enrolment ratios for women were higher than for men in some GCC countries: during 1994-1997, tertiary level enrolment of female to male ratio (females per 100 males) was 187 in Bahrain, 169 in Kuwait, 531 in Qatar and 608 in the United Arab Emirates. This reverse gender imbalance in favour of women may be attributed to the fact that some men are allowed to travel abroad while women are not (a number of men study in universities abroad and this may not be well reflected in the national statistics) or that women pursue higher education because they are not allowed to work and they devote their time to obtaining an education until they marry.

53. Poverty is still a serious social problem in several countries in the ESCWA region. In both Egypt and Yemen, over 20 per cent of the population was living below the national poverty line in 1984-1999. With regard to the provision of basic services, there are still wide disparities between urban and rural areas. The infrastructure of war-torn communities (such as Iraq and the West Bank and Gaza) has significantly deteriorated. Regarding sanitation and safe drinking water, all ESCWA members except Yemen had provided the populations with access to sanitation and water services at rates higher than the world average. However, again, the rural-urban disparities are wide. Around 35 per cent of the rural Syrian population had no access to safe drinking water in 1999 compared with the equivalent rate of only 4 per cent in urban areas. The wide consumption gap between the poorest and the richest is another indicator of poverty in the region and this is also reflected in the distribution of income in the region.

54. Public spending on social services (as a percentage of GDP) in ESCWA member countries has not increased in the last 10 years. In some countries it has even declined. Political instability in the Middle East continues to dictate how much of the budget is to be utilized on military expenditures, leaving a meagre balance for social services, education and poverty reduction.

55. In spite of the considerable progress made in the status of Arab women in the region over the decades, the gender gap in socio-economic status persists in many countries of the region. The continued inadequate participation in education of girls in a few countries has serious negative implications for their skills development and thus their employment opportunities, and increases their difficulties in gaining access to income-generating activities. Political participation by Arab women is also very limited, even compared to newly industrialized economies or least developed countries, and the number of women appointed to high-ranking government posts or levels with decision-making continues to be among the lowest in the world.

56. The magnitude of the problem of disability in the ESCWA region continues to increase, in size as well as scope, owing to poverty and armed conflicts (such as efforts to suppress the intifada in the West Bank and Gaza). The majority of disabled people are not empowered in terms of school enrolment and economic participation. Disabled women suffer from double discrimination, one related to disability and another related to gender. There is even a significant under-numeration of the Arab disabled female population due to a gender-based social stigma and a sense of shame among their families.

V. Conclusions, outlook and policy recommendations

57. Overall economic growth in the region slowed to 2.1 per cent in 2001, down considerably from the 4.5 per cent growth registered in the preceding year. Factors contributing to this decline in economic growth include the poor performance of the important oil sector; the adverse effects of the 11 September events, particularly on tourism, the inflow of FDI, and both oil and non-oil exports; and the lack of progress towards peace in the Middle East that was coupled with violence in the West Bank and Gaza.

58. Slower economic growth accentuated the unemployment problem in many countries of the region, while on the other hand, it helped maintain inflation rates at fairly low levels. Lower oil prices and production jointly led to sharply lower oil revenues, and deterioration in the budgetary positions of most Governments in the region. The region's external sector performed poorly in 2001, compared with the previous year, owing mainly to the significant decline in oil exports.

59. The region's population continued to grow at relatively high rates. Health conditions in the ESCWA region continued to improve over the past several years and life expectancy continued to rise gradually and compare favourably with other

developing regions. Nevertheless, a lot needs to be done to reduce the prevailing high adult illiteracy rates, particularly for women, and to combat poverty.

60. The outlook for economic and social developments in 2002 is not brighter than that for 2001. The real GDP of the region, excluding Iraq, is projected to grow by around 2 per cent in 2002, similar to the preceding year, and again below the population annual growth rate of 2.4 per cent. This growth rate would be attained by lower real GDP growth in the GCC States and higher growth in the countries with more diversified economies as compared with 2001. The real GDP of the GCC States as a group is projected to grow by only 1 per cent in 2002, down from an estimated growth rate of 2 per cent in 2001 and the 5.1 per cent growth rate registered in 2000. Meanwhile, the real GDP of the countries with more diversified economies, excluding Iraq, is projected to grow by 3.9 per cent in 2002, compared with an estimated rate of 2.1 per cent in 2001 and a registered rate of 3.5 per cent in 2000. The expected decline in the performance of the oil sector will have a more adverse impact on the GCC States than on the countries of the region with more diversified economies.

61. Of the GCC States, Qatar is projected to have the highest real GDP growth in 2002, namely, 5.5 per cent, while Kuwait is projected to register a real GDP growth of negative 0.6 per cent. The real GDP growth rate in each GCC State is projected to be lower in 2002 than in 2001. Saudi Arabia has the largest economy in the region as a whole. Therefore, its projected low real GDP growth rate of 0.5 per cent is a major factor in lowering the real GDP growth rate average for the GCC States as a group.

62. Assuming that there will be an end to the violence in the West Bank and Gaza Strip by mid-2002 and that border closures against Palestinian workers seeking employment in Israel will be lifted, coupled with a large influx of international aid for development and reconstruction, the West Bank and Gaza Strip is projected to register a 10 per cent real GDP growth rate in 2002. Although that would be by far the highest real GDP growth rate in the region in 2002, it would still reflect a real GDP level that is 23 and 26.8 per cent below the levels registered in 2000 and 1999 respectively. Other ESCWA member countries with more diversified economies are projected to register slightly higher GDP growth in 2002 than in 2001. The adverse effects of the events of 11 September are expected to gradually decline over the course of the year as a result of higher projected world economic growth beginning in the second half of 2002 and the policies that several Governments have already put in place with a view to mitigating the impact of those attacks. Of those member countries, Jordan is projected to have the highest real GDP growth, 4.5 per cent, and Lebanon and Yemen are projected to have the lowest, namely, 2.5 per cent.

63. The oil sector is expected to perform relatively poorly in 2002 compared with 2001 and 2000. In 2002, the OPEC average crude oil price is expected to decline from its 2001 level by about 5 per cent, to around $22/b. The $22/b price average for OPEC's seven crudes may be achieved if OPEC members achieve high compliance with agreed upon quotas as of 1 January 2002, and modest increases in quotas and production during the second half of the year, in line with the expected world economic recovery and higher oil demand in the fourth quarter. If OPEC members do not increase their quotas and production during the second half of 2002, and world economic growth accelerates notably, oil prices for the year may average even higher than $22/b. In addition, if other oil-producing countries follow Iraq's decision of 8 April 2002 to halt oil shipments for a month, oil prices would certainly surge to considerably higher levels. Nevertheless, it is expected that oil revenues in the region will decline significantly in 2002, with adverse effects on the economic environment and government budgets in the region.

64. Demand for labour in the region is expected to be low because economic growth is not sufficiently high to absorb the annual increase in the supply of workers. At the same time, the likelihood is that employment opportunities abroad in 2002 will be reduced because of low economic growth in the United States and Europe and rising unemployment among their nationals. The policy of replacing expatriate workers with nationals, when possible, will be intensified in GCC States and Jordan.

65. It is expected that inflation rates in most member countries will remain under control in 2002 at around 2 to 3 per cent, and that Governments will maintain prudent monetary and fiscal policies.

Inflation rates are expected to remain at 2.5 per cent or less in the GCC States. Nevertheless, inflation is projected to accelerate in some of the countries with more diversified economies, particularly Egypt and Lebanon. A higher inflation rate in Egypt in 2002 would be caused by the devaluation of the national currency in 2001 and increased government expenditure in 2002 in a bid to stimulate economic growth and create employment opportunities. Higher inflation rates in Lebanon would largely be caused by the introduction of the value added tax (VAT).

66. Efforts to expedite trade and economic cooperation in the region are expected to intensify in 2002. Non-oil exports are expected to increase significantly, particularly those from countries with more diversified economies, most notably Egypt, Jordan and the Syrian Arab Republic. Nevertheless, oil exports are expected to be lower than in 2001, and hence the region's total exports in 2002 is envisioned to be lower than in the past year. Higher imports and lower exports are expected to lead to further deteriorations in the trade balance of many countries in the region. The tourism sector is expected to show marked improvement during the second half of 2002 and thereby help reduce the current account deficits of several countries.

67. Policy recommendations below are provided for consideration by decision makers in the region. Some of the recommendations have been implemented to varying degrees by ESCWA member countries.

68. Governments in the region should consider the following:

(a) Accelerating the process of economic diversification, particularly in the GCC States, by moving away from heavy dependence on oil towards greater reliance on gas, petrochemicals, aluminium and other light industries, in addition to the services sector;

(b) Expediting economic structural reform;

(c) Accelerating privatization, particularly where the public debt to GDP ratio is dangerously high, as in Lebanon. Public sector enterprises, including companies providing electricity, water, transport, telephone and other such facilities, should be transferred to the private sector in a manner that guarantees transparency and accountability and safeguards against monopoly;

(d) Making every effort in countries such as the Syrian Arab Republic, where there are no plans for privatization, to enhance efficiency in the public sector, partly through the gradual introduction of some market-oriented objectives;

(e) Promoting regional economic cooperation and integration;

(f) Attracting and promoting FDI and encouraging joint ventures with major transnational corporations;

(g) Promoting domestic, intraregional and international tourism by increasing marketing efforts to attract visitors from both inside and outside the region and improving infrastructure in order to better accommodate them;

(h) Evaluating the advantages and disadvantages of pegging the national currencies of the GCC States, Egypt, Jordan and Lebanon to the United States dollar;

(i) Adopting special monetary and fiscal measures to encourage expatriates and emigrants to repatriate some of their financial assets held abroad (this applies to Egypt, Jordan, Lebanon, the Syrian Arab Republic and Yemen);

(j) Encouraging the private sector to repatriate some of its foreign-held assets and invest them in the local economy, in regional and/or subregional projects (this applies mostly to Saudi Arabia and other GCC States);

(k) Ensuring that human resources development is based primarily on quality and market-oriented education and training;

(l) Improving the educational system and intensifying vocational training for men and women.

Notes

[1] United Nations Conference on Trade and Development, *World Investment Report*, 2001.

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Economic and social repercussions of the Israeli occupation on the living conditions of the Palestinian people in the occupied Palestinian territory, including Jerusalem, and of the Arab population in the occupied Syrian Golan

Note by the Secretary-General***

In its resolution 2001/19 of 25 July 2001, entitled "Economic and social repercussions of the Israeli occupation on the living conditions of the Palestinian people in the occupied Palestinian territory, including Jerusalem, and the Arab population in the occupied Syrian Golan", the Economic and Social Council requested the Secretary-General to submit to the General Assembly at its fifty-seventh session, through the Council, a report on the implementation of the resolution. The General Assembly, in its resolution 56/204 of 21 December 2001, also requested a report. The annexed report, which has been prepared by the Economic and Social Commission for Western Asia (ESCWA), is submitted in response to the two resolutions.

* A/57/50/Rev.1.
** E/2002/100.
*** Because of lack of official sources for most of the information contained in the present report, a longer period for clearance was required for extensive consultations within the various United Nations entities at Headquarters and in the field. The report was therefore delayed for processing by four weeks.

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Annex

Report prepared by the Economic and Social Commission for Western Asia

Summary

Continued occupation of the Palestinian territory by Israel, the delays in the implementation of the agreements reached between Israel and the Palestine Liberation Organization (PLO), and the delay in reaching a final solution intended to settle all outstanding claims between the two parties continue to aggravate the living conditions of the Palestinian people.

The Israel Defense Forces (IDF) have resorted to excessive use of force, house demolitions, increasingly severe mobility restrictions and closure policies, negatively affecting the Palestinian economy and living conditions. Internal closures have, in effect, divided the West Bank and Gaza Strip into 54 isolated areas. At the end of 2001, the Gaza International Airport and the Gaza harbour were severely damaged by the Israeli army. In addition, the strict closure policy and movement restrictions imposed by the Israeli authorities since September 2000 have seriously impeded the ability of aid agencies to deliver humanitarian assistance.

The Israeli settlements in the occupied Palestinian territory remain the primary issue fuelling the conflict between the two peoples. There are some 190 settlements in the West Bank and Gaza, inhabited by approximately 380,000 settlers, of whom some 180,000 live in the East Jerusalem area. Settlements are linked to each other and Israel by a vast system of bypass roads. These settlements and roads, which separate Palestinian communities and deprive Palestinians of agricultural land, have fragmented both land and people.

There is an extensive yet comparatively smaller settlement infrastructure in the occupied Syrian Golan Heights with some 17,000 Israeli settlers in 33 settlements. The failure of negotiations between Israel and the Syrian Arab Republic in March 2000 has resulted in decisions aimed at reinvigorating settlement expansion. Employment opportunities for the Arab population in the Syrian Golan Heights continue to be restricted and access to education facilities are limited.

I. Introduction

1. The present report covers the period April 2001 to March 2002. In its resolution 2001/19 of 25 July 2001 on the economic and social repercussions of the Israeli occupation on the living conditions of the Palestinian people in the occupied Palestinian territory, including Jerusalem, and of the Arab population in the occupied Syrian Golan, the Economic and Social Council stressed, inter alia, the importance of the revival of the Middle East peace process on the basis of Security Council resolutions 242 (1967), 338 (1973) of 22 October 1973 and 425 (1978) of 19 March 1978, and the principle of land for peace as well as the full and timely implementation of the agreements reached between the Government of Israel and the Palestine Liberation Organization, the representative of the Palestinian people.

2. In its resolution 56/204 of 21 December 2001, the General Assembly reaffirmed the inalienable rights of the Palestinian people and the population of the occupied Syrian Golan over their natural resources, including land and water; and called upon Israel, the occupying Power, not to exploit, to cause loss or depletion of or to endanger the natural resources in the occupied Palestinian territory, including Jerusalem and in the occupied Syrian Golan.

3. The delays in the implementation of the agreements reached between Israel and the Palestine Liberation Organization (PLO) continue to aggravate the living conditions of the Palestinian people and to sustain, relentlessly, the current cycle of violence. In his briefing to the Security Council on 21 February 2002, the Secretary-General stated that:

> "a reduction in the violence is the most immediate priority. But I have become more and more convinced that trying to resolve the security problem on its own cannot work. Security cannot be dealt with in isolation. It has to have a context. It has to be addressed alongside key political issues, particularly the question of land, and the economic and social issues, including the increasing critical desperate conditions of the Palestinians. Failure to address these issues together will only spawn new and perhaps deadlier exchanges of reciprocal violence."[1]

II. Occupied Palestinian territory, including Jerusalem

Upsurge in violence

4. Since the report of last year, the upsurge in violence has continued to rise and the nature of confrontations has increased in severity as characterized by the utilization of heavy conventional weapons, extrajudicial killings and collective punishment of the civilian population. Between 28 September 2000 and 31 January 2002, the records of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) indicate that an estimated 558 Palestinians were killed in the West Bank, and an estimated 364 Palestinians were killed in the Gaza Strip. According to the Palestinian Central Bureau of Statistics, 54 of the fatalities and 1,600 of the injured in the Gaza Strip were children under the age of 18. Twenty-nine of those killed and 700 of those injured were UNRWA pupils.[2]

5. As the situation has continued to deteriorate, Israeli security forces have resorted to heavier weaponry, including tanks, combat helicopters and fighter jets. Currently, most Palestinian deaths result from Israeli missile attacks directed at selected individuals suspected of terrorism, but which, inevitably, have also killed innocent bystanders, and from shootings carried out by soldiers and settlers, sometimes after an exchange of gunfire. Lately, intensive military incursions into Palestinian areas controlled by the Palestinian Authority have resulted in many civilian deaths. Israeli deaths have largely been caused by suicide bomb attacks in Israel itself and by gunfire directed at settlers on bypass roads or in the proximity of settlements. The Secretary-General has continually condemned, in the strongest possible terms, suicide bombing attacks against citizens of Israel. He has also repeatedly stated that such indiscriminate terrorist attacks are morally repugnant and harmful to the Palestinian cause.

6. There have been 58 extrajudicial killings, or targeted assassinations, of Palestinians by Israel since September 2000. In some cases, other Palestinians have been killed by helicopter missile fire, tank fire and gunfire in the course of carrying out the assassinations.[3] Many innocent civilians were also killed in the bombing of villages or in gunfire

exchanges, in circumstances indicating an indiscriminate and disproportionate use of force.

7. The Israeli authorities have continued the widespread practice of destruction of property. UNRWA recorded 167 home demolitions in the West Bank in 2001. In the Gaza Strip, between September 2000 and 31 January 2002, UNRWA recorded the complete or partial destruction of 660 homes housing 845 families. Of these, 407 shelters housing 551 families — including 320 dwellings belonging to 448 refugee families — were completely destroyed.[4] Most such demolitions took place at night, without any advance warning being given to the residents; some residents were forced to flee their homes without being able to even remove their possessions. Dozens of houses have also been destroyed or damaged as a result of the use of heavy weaponry. Moreover, during the current crisis, IDF has destroyed a significant amount of agricultural land, especially in Gaza. The creation of buffer zones for bypass roads and settlements has resulted in the "sweeping" of large areas of agricultural land by bulldozers. A total of 385,808 fruit and olive trees have been uprooted, and wells and agricultural constructions destroyed.

8. UNRWA recorded 772 instances in 2001 when settlers in the West Bank attacked Palestinians, vandalized their property, blocked roads, or bulldozed agricultural land. In the Gaza Strip, where the settler population is small and largely confined to settlement enclaves, settler activity was minimal by comparison.[5] It should be noted that a substantial segment of the settlers carry weapons that they received from IDF.[6]

9. All such acts of violence and the occupation itself have a negative impact on the psyche of the Palestinian population. However, considering the high percentage of the population which is under the age of 18, the impact can be expected to significantly affect the next generation for years to come. Many people reportedly experience an overwhelming fear of the future and feelings of hopelessness. Studies show that, as a result of the crisis, there are high incidences of post-traumatic stress disorder among Palestinian children and youth.

10. Over 600 Palestinian children were arrested by the Israeli authorities between September 2000 and September 2001; around 160 remained incarcerated in Israeli jails. Moreover, almost all Palestinian child detainees face physical and psychological torture while under interrogation. While in prison, children are also denied the right to education and visits from family and lawyers.[7]

11. The crisis has serious gender impacts. As children are afraid of leaving the house, it has become more difficult for women to seek employment or education outside the house. Furthermore, the incidences of gender-based violence within families have been multiplying. The destruction of homes, the death of male heads of households coupled with men's frustration due to unemployment and immobility have resulted in a sharp increase in incest and domestic violence. According to the Gaza Mental Health Clinic, some former prisoners use the same tactics they experienced during interrogation to torture their wives and children.[8]

12. The sense of hopelessness and frustration due to unemployment tends to be associated with a loss of status for male household heads when they are the only or main economically active family members and can no longer meet their families' basic needs. This psychosocial impact of unemployment in turn is associated with an increase in domestic violence.[9]

Mobility restrictions and closure policies

13. Checkpoints, closures and curfews severely impede access to medical care, education and employment. There were many reports that Israeli authorities treat Palestinians in an abusive manner at checkpoints, subjecting them to verbal and physical harassment. Each day, hundreds of thousands of Palestinians who wish to travel between Palestinian towns and villages must pass through one or more of the approximately 130 Israeli checkpoints across the occupied territory.[10]

14. Israeli closure policy has become the single most important factor negatively affecting the Palestinian economy and living conditions. Closure implies varying degrees of movement restrictions on Palestinian people, vehicles and goods: within the West Bank and Gaza; between the West Bank and Gaza and Israel; and at the international crossings between the West Bank and Gaza and neighbouring Jordan and Egypt. Generalized movement restrictions were first imposed in the West Bank and Gaza during the Gulf War in 1991 and have become more formalized and pervasive since 1993.[11]

15. For most of the period since October 2000, mobility between the West Bank and Gaza, and between the occupied Palestinian territory and the rest of the world, has been severely impeded. Travel for Palestinians between the West Bank and Gaza via the "safe passage" route has been blocked by the Israeli authorities since 6 October 2000. The passage was closed even though the Oslo Accords forbid its closure. According to the Accords, two routes were to be designated as safe passages. Israel is entitled, for security reasons, to close one of them or to alter the terms of entrance but must assure that one of the passages is always open.[12]

16. IDF has substantially increased the restrictions on movement of Palestinians in the occupied territory during the al-Aqsa intifada. Many of those harmed by these restrictions have been persons requiring medical treatment, mainly newborns, women and the elderly. From 1 October 2000 to 3 March 2002, there were 23 births at Israeli military roadblocks in the West Bank and Gaza Strip. Among these, three miscarriages were caused by tear gas grenades and an additional three miscarriages were caused by the delays and harassment.[13] According to the Badil Resource Centre for Palestinian Residency and Refugee Rights, 435 Palestinian children have been killed since September 2000.[14] Furthermore, since September 2001, more than 165 Palestinian ambulances have been hit by IDF fire; about 135 members of medical teams have been wounded and 8 killed, according to Physicians for Human Rights.[15]

17. While internal closure measures seemed to have been relaxed during the second quarter of 2001, internal closure in the West Bank was tightened again in June and has remained so to date. Internal closure is much more severe in the West Bank than in Gaza.[16] Israeli forces further restricted freedom of movement of Palestinians by imposing curfews, often for extended periods, on specific Palestinian towns or neighbourhoods. IDF practice on the ground involves the placement of checkpoints at the entrances to villages. Consequently, entry and exit are often possible only via dirt roads, entailing enormous hardships.

18. International border crossings have also been severely affected. Between October 2000 and February 2002, all of Gaza's border crossings through which residents, exports and imports transit, were closed for lengthy periods. The Gaza International Airport has remained closed since February 2001. In December 2001, the radar station and parts of the runway were destroyed by IDF. In January 2002, the runway was bulldozed. The Gaza harbour was destroyed by IDF during the last quarter of 2001.[17] Israeli attacks have resulted, according to the Palestinian Authority's Ministry of Transport, in the direct loss of 68 km of main roads between cities and the destruction of 121 km of secondary roads between Palestinian towns. In addition, the Ministry also indicated that 654 public buses and 3,450 trucks have been forced out of service and that 6,505 public vehicles are working at 50 per cent of capacity.[18] Owing to these restrictions and attacks, Palestinian foreign trade has been affected, and imports and exports, trans-shipped through Israeli ports, have been delayed or blocked completely for most of this period.

19. Mobility restrictions have been made even more burdensome by road checkpoints, which have become a regular feature of Palestinian life. Palestinians are obliged to wait for long periods while Israeli soldiers check vehicles and inspect identity documents. In order to avoid these delays, Palestinians often abandon their cars or leave their taxis and cross the checkpoint on foot to catch a taxi on the other side of the checkpoint.

20. By mid-2001, there were 97 Israeli military checkpoints in the West Bank. Roads were also blocked with piles of earth, ripped up, or cut across with trenches. These measures divided the West Bank into over 100 separate, isolated sectors. In Gaza, there were 32 Israeli military checkpoints.[19] A study by the United Nations Conference on Trade and Development indicated that internal closures have, in effect, divided the West Bank and Gaza Strip into 54 isolated areas.[20] From September 2000 to December 2001, 33 Palestinian civilians have died as a result of being prohibited from reaching hospitals or seeking medical treatment. Such delays occur most frequently at checkpoints established by IDF.[21]

21. Israel's imposition of severe restrictions on freedom of movement carries a devastating impact on the already fragile Palestinian economy. The Palestinian population is poor even under normal conditions, with 50 per cent living in refugee camps. The imposition of additional burdens on such a population inevitably creates severe material, social and psychological hardships.

22. The strict closure policy and movement restrictions imposed by the Israeli authorities since September 2000 have seriously impeded the ability of aid agencies to deliver both regular and emergency humanitarian assistance to the refugees in need. UNRWA staff, numbering 3,500 in the West Bank and 7,000 in Gaza, experienced severe work disruptions owing to IDF checkpoints that frequently delayed them or prevented them outright from reporting to their schools, clinics and field offices. The financial cost to UNRWA of forced workplace absences and lateness is estimated at US$ 2.8 million.[22]

23. The chief impact of the strife in the occupied Palestinian territory on UNRWA health services has been an increased demand for medical care. UNRWA regular health services have been burdened by the growing number of refugees who previously used private health providers but turned to UNRWA for free medical care because of the economic hardships associated with the closure. Another serious initial outcome of the restrictions on movement in the West Bank was a temporary decline in the number of children immunized in late 2000. Other indicators of a breakdown in preventive services in the West Bank, in particular, include an increase in stillbirths and low birth weight rates; late registration and irregular attendance of pregnant women for antenatal care; an increase in anaemia rates (an indicator of deterioration in nutritional status) and declining follow-up with medical providers by patients suffering from non-communicable diseases, such as diabetes, with a concomitant drop in control rates.[23]

24. Restrictions on the freedom of movement imposed by the Israeli authorities have had severe impacts on education. Reports indicate that 190 schools have been temporarily closed, 55 per cent of older students have experienced difficulties in reaching higher education institutions and 1,300 students from Gaza have been unable to reach their universities in the West Bank.[24] There was a marked deterioration in scores on final examinations in UNRWA schools in the West Bank and Gaza Strip in 2001, resulting from both psychological trauma triggered by the strife and disruptions in learning caused by the persistent absences of teaching staff who were prevented from reaching their schools during internal closures.

The Palestinian economy

25. The crisis and the growing atmosphere of profound political and economic uncertainty had a devastating impact on the Palestinian economy. Consequently, the percentage of Palestinian people living below the poverty line ($2 per person per day) is reaching 50 per cent, which is more than double the poverty rate prior to the current crisis. The Office of the United Nations Special Coordinator in the Occupied Territories (UNSCO) estimates that the total income losses to the Palestinian economy, during the period 1 October 2000 to 31 December 2001, range between $3.1 and $4.1 billion.

26. The World Bank estimates per capita gross national product (GNP) in 2001 to be 30 per cent lower than it was in 1994, at the beginning of the Oslo peace process. In 2000, real gross domestic product (GDP) contracted by between 6 and 7 per cent mainly owing to the poor performance of the Palestinian economy in the last quarter of 2000. The economy had been performing relatively well until the outbreak of violence. In 2001, the World Bank projected an additional 10 per cent decline in real GDP. The estimated decline of GNP is larger, at around 14 per cent, since the volume of worker activity abroad is expected to be over 30 per cent lower than in 2000.[25]

27. The cumulative effect of the restrictions on the freedom of movement of people and goods is perceived by the Palestinians as a siege. It has resulted in severe socio-economic hardships. The restriction on the entry of Palestinians into Israel has meant denial of access to their places of work in Israel to an estimated 115,000 Palestinians. The consequences have been devastating: the families of these workers are now suffering from a complete lack of income. Over 50 per cent of the Palestinian workforce is now unemployed.[26]

28. The Palestinian Central Bureau of Statistics reported that the volume of goods imported into the occupied Palestinian territory had dropped by 8.5 per cent during the last quarter of 2000 compared with 1999 figures; the drop continued in 2001 to 47 per cent as a result of Israeli closure measures. Palestinian exports declined by 4.9 per cent in 2000 and 52 per cent in 2001. The Bureau reported that the number of people working in industry declined by 38 per cent between 1 October 2000 and 31 May 2001. During the same period, the number of workers in construction dropped by 20 per cent; in home trade by 26 per cent;

in transportation and telecommunications by 23 per cent; and in the services sector by 36 per cent. Production levels in agriculture dropped by 13 per cent, in industry by 19 per cent; in construction by 29 per cent; in home trade by 14 per cent; in transportation and telecommunications by 2 per cent; and in other activities by 23 per cent between 1 October 2000 and 31 May 2001.[27]

29. A survey undertaken by the Palestinian Federation of Chambers of Commerce found that total imports into the West Bank and Gaza had declined by 56.1 per cent compared with pre-crisis levels.[28] Especially large declines were observed in the following import categories: capital goods (83.7 per cent); vehicles (79 per cent); household equipment (63.3 per cent); construction materials (52.7 per cent); and consumption products (48 per cent). Imports from Arab countries decreased by 62.2 per cent; from Israel by 44.5 per cent; and from Europe by 41.5 per cent. In addition, the survey indicates an increase of 25 percent in the cost of imports and an increase of 46.1 per cent in import time delay.[29]

30. The survey found that, during the crisis, total exports from the West Bank and Gaza Strip to Israel and other countries had declined by 50.3 per cent compared with pre-crisis levels. Palestinian agriculture exports declined by 52.6 per cent while industrial exports fell by 49.6 per cent. Palestinian exports to Israeli markets declined 51.9 per cent while exports to Arab countries dropped by 27 per cent.[30]

31. The Palestinian Authority's fiscal situation and prospects have been severely impacted by the current crisis. With closure measures disrupting tax collection, the contraction of the Palestinian economy eroding the Palestinian tax base and with the Israeli suspension of tax clearances, the fiscal revenues declined by about 57 per cent during the first nine months of the crisis. The international community has responded to the Palestinian Authority fiscal crisis by providing large amounts of direct fiscal support. By the end of 2001, the Palestinian Authority had received approximately $575 million, primarily from Arab countries and the European Union.[31]

32. According to the survey by the Palestinian Central Bureau of Statistics, 14 per cent of households have reported that they have lost their sources of usual income during the past year. Of these, 10.1 per cent (35,000 households) were in the West Bank and 21.9 per cent (38,000 households) in the Gaza Strip. About 47.7 per cent of the households reported that they had lost more than 50 per cent of their usual income. The median monthly income of Palestinian households has decreased from 2,500 Israeli shekels before the outbreak of the crisis to 1,500 shekels in October 2001. The median income in March 2001 was 1,200 shekels and in June 1,300 shekels. The median income in the West Bank decreased from 3,000 shekels to 1,700 shekels and in the Gaza Strip from 1,944 shekels to 900 shekels.[32]

33. The current crisis has compounded the long-term economic decline of East Jerusalem's economic base. A study prepared by the Palestinian Chamber of Commerce and Industry revealed that Arab hotels in Jerusalem witnessed the cancellation of 94 per cent of their reservations during the period from October 2000 to March 2001. Debts accrued in the tourism sector during early 2001 were approximately $13.5 million. Losses in the tourism sector between October 2000 and March 2001 were approximately $50 million.

34. A World Bank report concluded that, notwithstanding security and political considerations, unless the Palestinian territory is able to achieve high levels of economic growth, the prospects for future poverty reduction are not encouraging. Not only will the number of poor Palestinians grow rapidly, but their share in the population will also increase, which could become a socially destabilizing factor. Furthermore, unless Palestinians gain greater access to external markets and to better paying jobs, whether in Israel or in higher productivity occupations in the West Bank and Gaza Strip, it will be difficult for them to escape poverty.

Water, environment and natural resources

35. In general terms, the environmental impact of Israeli measures taken during the crisis fall into three broad categories: land degradation, water resource damage and a halt to essential infrastructure work. Land degradation is occurring rapidly owing to the felling of thousands of trees and orchards and the blockade of roads used by Palestinians, resulting in thousands of new dirt tracks being created as alternative transport routes. Water resource damage is occurring through damage to environmental facilities, particularly sewage infrastructure, and due to

restrictions imposed on proper waste disposal. Owing to the internal closures, outlying Palestinian villages are being denied access to drinking water. Many infrastructure projects supported by the international aid community to improve the Palestinian environment have been brought to a halt because of the closures.[33]

36. Two hundred thousand Palestinians living in 218 West Bank villages are not connected to a water network and therefore have no running water. This population suffers a severe water crisis. They are unable to meet their basic water needs, including basic personal hygiene and house cleaning, and as a result, face significant health risks. The restrictions on movement imposed by IDF since the beginning of the crisis aggravate the situation and make it difficult for tankers to transport water to affected communities.[34]

37. Since the establishment of the Palestinian Authority, Israel has continued to maintain almost complete control of the water sector in the occupied Palestinian territory. Every new water project, including projects in Area A (in which Palestinians would have complete authority for civilian security), requires the consent of Israel's representatives on the Israeli-Palestinian Joint Water Committee. The additional water quantities that Israel and the Palestinian Authority developed pursuant to the Interim Agreement led to a certain improvement in the supply of water for household and urban use in various areas of the West Bank. However, in the summer, many Palestinians continue to suffer from frequent disconnections of the water network. These disconnections result from the allocation programmes that various cities are compelled to implement because of the increased demand in summer months.[35]

38. The average Palestinian in the West Bank consumes 60 litres of water a day. The precise consumption of residents in communities that are not connected to a water network is not known. However, it is significantly less than the overall average. By comparison, average per capita consumption in Israel and the settlements is 350 litres a day. The minimum quantity of water recommended by the United States Agency for International Development for household and urban use alone is 100 litres a day per person.[36]

39. There are 36 Palestinian villages that are completely dependent on water vendors to supply their water needs. During periods of the siege, these villages (with a total of 86,255 inhabitants) are reported to have had no water supplied to them for periods ranging from a week to two months.[37] Furthermore, owing to the difficulties in access to water springs (many being in Area C, where Israel retains sole security authority), the price of trucked water has increased considerably at a time when employment and income for Palestinians has plummeted.[38]

40. The occupation legacy is responsible for the gross lack of attention to environmental issues and investment in physical infrastructure within the Palestinian cities and villages themselves. This includes a degraded solid waste management infrastructure, lack of wastewater treatment plants and proper water supply facilities, and degraded groundwater quality and quantity (particularly in Gaza). A report written by the World Bank Reform Campaign claims that there has been no effort to improve the sewage situation in the southern West Bank and untreated sewage threatens to pollute the water supply.

41. Land confiscation for establishing settlements has had a major impact on Palestinians and their economy, especially the agriculture sector, which accounts for about 30 per cent of Palestinian national income. The dispersed location of Israeli settlements is an important factor in the reduction of open spaces, including in some cases the loss of biologically important areas, such as forests and sensitive ecosystems.[39] Bypass roads, which are established to enable settlers and military vehicles to move around without traversing Palestinian residential areas in the belief that their security is improved, contribute to a further deterioration of the environment. The roads are designed for moving at high speeds, which require that the angles be minimized: wadis are therefore filled up and hills bulldozed to make way. No buildings or trees are allowed to remain on a wide strip of 50-100 metres on either side. This translates into a 350-metre wide swath[40] of landscape destruction over more than 200 kilometres of bypass roads already built. An additional 250 kilometres of bypass roads are in the planning stages.[41]

Israeli settlements

42. The great majority of the Member States regard Israeli settlements in the West Bank and Gaza as contrary to article 49 (6) of the Fourth Geneva Convention, which prohibits an occupying Power from

transferring parts of its own civilian population into the territory it occupies. Numerous resolutions of the Security Council and the General Assembly have condemned the settlements as illegal. In the words of the Special Rapporteur on Israeli Practices, "Expanding settlements, demolition of houses and the destruction of property, restrictions on freedom of movement and the economic blockade are a constant reminder to Palestinians of the occupation".[42] Moreover, apart from the fact that settlements are a constant source of friction between the two peoples, assuring the security of the settlements and roads is imposing a tremendous burden on Israel. It is estimated that the numerous settlements in the occupied Palestinian territory require the defence of borders 10 times longer than the 1967 Green Line (a border approximately 2,000 miles long).[43]

43. Today, there are some 190 settlements in the West Bank and Gaza inhabited by approximately 380,000 settlers, of whom some 180,000 live in the East Jerusalem area. Settlements are linked to each other and Israel by a vast system of bypass roads (from which Palestinian vehicles are excluded) which have a 50- to 75-metre buffer zone on each side in which no building is permitted. These settlements and roads, which separate Palestinian communities and deprive Palestinians of agricultural land, have fragmented both land and people. In effect, they seriously hamper the possibility of a Palestinian State as they destroy the territorial integrity of the occupied Palestinian territory.[44]

44. More than half of the net increase of 2,561 in the settlement population during the first half of 2001 was due to increases at three religious settlements: Beitar, south-west of Jerusalem; Tel Zion/Adam, bordering the north-east corner of East Jerusalem; and Modi'in Ilit, on the Green Line between Tel Aviv and Jerusalem. In the Gaza Strip, where clashes have been the most violent, the 17 settlements with a population of approximately 7,000 have sustained a small net increase in population during 2001.

45. According to an Israeli Housing Ministry report, most of the thousands of housing units constructed in public housing projects in Givat Ze'ev and Ma'ale Adumim over the past six years remain unsold and empty. Despite the existence of empty units, the Ministry issued a tender for an additional 496 units for Ma'ale Adumim on 5 April 2001. The Ministry noted that 76 per cent of the housing units offered in Har Homa between 1999 and 2000 (2,200) remained unsold in early 2001. In efforts to encourage prospective settlers, a programme offering a grant of $6,250 and a subsidized mortgage for an equal amount to buyers was initiated. According to the Central Bureau of Statistics, there are currently 6,130 units under construction in settlements throughout the West Bank and Gaza.

III. Occupied Syrian Golan

46. There is an extensive, yet comparatively small settlement infrastructure in the Golan Heights in the Syrian Arab Republic, occupied by Israel since June 1967. Some 17,000 Israeli settlers, residing in 33 settlements, represent an increase of 18 per cent since 1994. Over 17,000 Syrians, remaining after 1967, are clustered in five villages close to the borders of the Syrian Arab Republic and Lebanon.[45]

47. Negotiations conducted between Israel and the Syrian Arab Republic aimed at ending Israel's occupation of the Golan Heights and establishing peaceful relations between the two countries ended in failure in March 2000. This resulted in a number of decisions aimed at reinvigorating settlement expansion on the Golan Heights. The Golan Heights Regional Council intends to open a campaign in early 2002 for the construction of 1,000 new dwelling units in Israeli settlements during the next three years.[46]

48. Employment opportunities for the Arab population in the Syrian Golan Heights continues to be extremely restricted, since the movement of the Arab population between the Golan and the Syrian Arab Republic remains problematic. The employment available to the Syrian population in the Golan is limited to unskilled and semi-skilled daily wage labour. In most instances, these workers have no access to social benefits or health insurance, and job security is extremely precarious, with no provision for unemployment compensation. Over and above these concerns, substantial wage differences prevail, to the detriment of the Syrian Arab population of the Golan.[47] The improvement of living conditions is further inhibited owing to measures that restrict the expansion of educational facilities, as well as limited access to education, either in the Syrian Arab Republic or Israel.[48]

Notes

[1] United Nations, Department of Public Information, press release, SG/SM/8129; SC/7305; 21 February 2002.

[2] United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) estimates, dated 6 March 2002.

[3] B'Tselem, "Statistics on the al-Aqsa Intifada: Assassinations — Extrajudicial Executions".

[4] UNRWA estimates, 6 March 2002.

[5] UNRWA contribution to this report, 6 March 2002.

[6] B'Tselem, *Tacit Consent: Israeli Policy on Law Enforcement toward Settlers in the Occupied Territories*.

[7] These rights are conferred by article 37 of the Convention of the Rights of the Child.

[8] United Nations Development Fund for Women (UNIFEM) contribution to the present report dated 6 February 2002.

[9] Office of the United Nations High Commissioner for Human Rights contribution to the present report, 8 March 2002.

[10] United States, Department of State, 2001 Human Rights Report, Israel and the occupied territories.

[11] United Nations, Office of the United Nations Special Coordinator (UNSCO), Closure Update Summary: "The Impact on the Palestinian Economy of Confrontation, Border Closures and Mobility Restrictions", 1 October 2000-30 September 2001.

[12] See Oslo II Accords, appendix 1.

[13] Al-Haq.

[14] BADIL (Resource Centre for Palestinian Residency and Refugee Rights).

[15] *Ha'aretz*, 22 March 2002.

[16] UNSCO contribution to the present report dated 21 February 2002.

[17] UNSCO contribution to the present report, 21 February 2002.

[18] Communication of the Ministry of Transport to ESCWA, 9 February 2002.

[19] BADIL, 23 August 2001.

[20] UNCTAD, *Secretariat Report on UNCTAD Assistance to the Palestinian People*, Geneva, August 2001.

[21] *Hear Palestine*, 8 December 2001.

[22] UNRWA estimates, 6 March 2002.

[23] Ibid.

[24] UNSCO Closure Update Summary: "The Impact on the Palestinian Economy of Confrontation, Border Closures and Mobility Restrictions", 1 October 2000-30 September 2001.

[25] The Economist, The EU Country Report October 2001, pp. 52-53.

[26] OHCHR contribution to this report, 8 March 2002.

[27] *Ha'aretz*, 5 October 2001.

[28] Palestinian Federation of Chambers of Commerce, "Palestinian External Trade and Israeli Impediments", July 2001 (Arabic).

[29] UNSCO Closure Update Summary: "The Impact on the Palestinian Economy of Confrontation, Border Closures and Mobility Restrictions", 1 October 2000-30 September 2001.

[30] Ibid.

[31] UNSCO contribution to the present report, 21 February 2002.

[32] *The Jerusalem Times*, 5 October 2001.

[33] Applied Research Institute — Jerusalem (ARIJ), "Israel's Double Standard towards Environmental Protection", 2001.

[34] B'Tselem, *Not Even a Drop: The Water Crisis in Palestinian Villages without a Water Network*, 5 August 2001.

[35] Ibid.

[36] Ibid.

[37] Palestinian Hydrology Group, *Report on Israeli aggressions against Palestinian water sector during Al-Aqsa intifada*, December 2000.

[38] Applied Research Institute — Jerusalem, "Israel's Double Standard towards Environmental Protection", 2001.

[39] Ibid.

[40] From the Israeli Coalition Against House Demolitions and other sources.

[41] Applied Research Institute — Jerusalem, "Israel's Double Standard towards Environmental Protection", 2001.

[42] OHCHR contribution to the present report, 21 February 2002.

[43] *Report*, May-June 2001, p. 2.

[44] Ibid.

[45] *Report*, November-December 1999, p. 6.

[46] *Ma'ariv*, 25 November 2001.

[47] Syrian Arab Republic, Ministry of Foreign Affairs, "Report on Israeli Practices Against Human Rights of Syrian Citizens in the Occupied Syrian Golan", June 1997, pp. 12-20.

[48] Ibid., pp. 20-24.